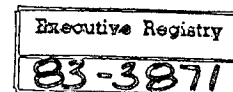


THE WHITE HOUSE

WASHINGTON

0019136

June 21, 1983



MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ

SUBJECT: The Department of State as
National Security Element

ACTION TO: M
COPIES TO:

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RF-jbw At my request, Dave Stockman has reviewed your letter to the President of February 19, 1983, in which you requested that the State Department be designated a national security element for the purposes of budget review. He states that a number of the State Department activities are coequal to those of the Defense Department and the intelligence community in their importance to achieving our national security goals. It is clear that those activities should not be treated like domestic agency activities in the allocation of budget and personnel resources.

He underscores that during the course of this Administration the Department has been given high priority by the Office of Management and Budget, especially in those areas of its activity directly related to national security matters (see attached Table I). For example, all political and economic reporting and analysis positions requested by the Department over the past few years, including those for intelligence and research activities, have been approved for inclusion in the President's budget. Requests for major improvements in critical overseas communications facilities have received very favorable treatment. If Congress approves, communications funding in FY 1984 will increase by ninety-eight percent over the FY 1982 level. Funding for standard security programs designed to protect personnel and national security information will increase by more than forty percent over the FY 1982 level. In addition, a sizable special program to protect overseas personnel and installations against potential terrorist attacks was approved by OMB in 1981 and has continued through 1984 with only minimal changes.

In terms of the White House review of the 1984 budget, Dave adds that he took the initiative to insure that all international affairs programs were combined with the Defense Department and intelligence programs in a special review category that was largely exempt from criteria applied to domestic programs. This differential treatment, he notes, is evidenced by the 14 percent growth allowed the Department for its salaries and expenses, the same rate of increase as in the Defense budget and well beyond the rate of growth allowed domestic programs. An increase of this magnitude was intended to respond to all significant national security concerns.

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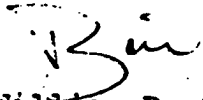
In addition, the amount provided for the 1984 foreign assistance request reflects OMB's sense of the important role the Department plays in our vital national security efforts. The original budget ceiling approved by the President for foreign aid was \$9,112 million on-budget and \$4,323 million off-budget, whereas the President's request was \$9,560 million on-budget and \$4,436 million off-budget--a total increase of \$561 million. When a decision on the foreign aid amount was reached, the Department informed OMB that the agreed level was fair and that there would be no appeal. Moreover, since the 1984 budget was transmitted to the Congress, OMB has again demonstrated its understanding of the need to provide adequate funding for national security related programs by recommending approval of a number of 1983 supplemental requests. These include \$8,500 million for the International Monetary Fund; \$85 million for Central America; \$100 million for Egypt; and, \$30 million for the Beirut emergency.

I understand that a key concern of yours is personnel levels. It is true that, when Administration personnel cutback goals were established by Ed Meese at the outset of this Administration, the State Department was included with domestic programs in the aggregate that is due to be cut back by 75,000 staff years. While hindsight might call for a different categorization, Dave notes that the credibility of the exercise could be undercut by changes in the categories now. Moreover, even with this categorization the net result has been growth in the Department's 1984 personnel levels of 6.5 percent above the original Administration baseline levels for 1982. The original 1984 full-time equivalent (FTE) ceiling for State Department employment was 23,521 whereas the actual personnel level allowed by OMB was 24,359--an increase of 838 over ceiling. Such growth in employment is actually faster than that of the Defense Department, which has no constraint on civilians.

Dave Stockman and his staff strongly believe they are aware of and sensitive to the State Department's national security role and that this awareness and sensitivity have been manifested in the budget treatment accorded to the Department.

I regret that it has taken this long to provide a response to your earlier letter. It did not seem helpful to the President to transmit the State request without OMB comment. At this point may I ask you to give me the Department of State's authoritative thoughts on Dave Stockman's analysis which is reflected in this letter. On the basis of this I will send the package to the President. It would be particularly helpful to have your personal determination if, as Dave has stated, those parts of State which require higher priority attention have indeed

received support. There will never be total agreement on budgetary requests as we all know, but it is essential that we be advised if resource constraints are unduly inhibiting the Department's national security mission. There should be no misunderstanding my commitment to and recognition of the critical importance of the Department of State in the execution of US foreign policy and support of our overall national security mission.


William P. Clark

cc: Edwin Meese
James Baker

International Affairs Programs
EA \$M

	1982	1983	1984
<u>Int'l Security Assistance</u>			
Pres. budget request.....	3,982	4,663	4,692
FMS credits (off-budget).	2,573	3,929	4,436
Increase over prior year:			
Δ \$			
Pres. budget request.....	+1,439	+744	+102
FMS credits (off-budget).	+27	+845	+798
Δ %			
Pres. budget request.....	+56.6%	+19.0%	+2.2%
FMS credits (off-budget).	+1.1%	+27.4%	+21.9%
<u>Int'l Economic & Financial Assistance</u>			
Pres. budget request.....	5,108	4,764	4,868
Increase over prior year:			
Δ \$	+609	+212	+109
Δ %	+13.5%	+4.7%	+2.3%
<u>Conduct of Foreign Affairs</u>			
Pres. budget request.....	1,851	1,809	2,042
Increase over prior year:			
Δ \$	+380	+116	+236
Δ %	+25.8%	+6.9%	+13.1%
<u>Foreign Information & Exchange Activities</u>			
Pres. budget request.....	662	746	832
Increase over prior year:			
Δ \$	+111	+163	+108
Δ %	+20.1%	+28.0%	+14.9%

TOTAL

Pres. budget request including FMS credits.....	14,176	15,911	16,870
Increase over prior year:			
Δ \$	+2,566	+2,092	+1,353
Δ %	+22.1%	+15.1%	+8.7%

Department of State
Employment (FTE)

Pres. guidance.....	22,790	22,906	23,521
Pres. budget request.....	23,097	23,941	24,359
Δ FTE	+307	+1,035	+838
Δ %	+1.35%	+4.52%	+3.56%

For 1984, prior year is 1983 column of the April update of the 1983 budget.